

**COUNTY OF CHIPPEWA, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

December 31, 2004

**CHIPPEWA COUNTY, MICHIGAN**

**ORGANIZATION**

**COUNTY BOARD OF COMMISSIONERS**

CHAIRMAN	EARL KAY
VICE CHAIRMAN	TED POSTULA
COMMISSIONER	DON COOPER
COMMISSIONER	BERNARD LAJOIE
COMMISSIONER	JAMES MOORE
COMMISSIONER	SCOTT SHACKLETON
COMMISSIONER	RICHARD TIMMER

**ELECTED OFFICERS**

COUNTY TREASURER	MARILYN McDONALD
COUNTY CLERK	DIANE CORK
COUNTY REGISTER OF DEEDS	SHARON KENNEDY
COUNTY SHERIFF	JEFF MORAN
COUNTY SURVEYOR	WILLIAM CARR
COUNTY DRAIN COMMISSSIONER	ANTHONY BOSLEY

**JUDICIARY**

CIRCUIT COURT	HON. NICHOLAS LAMBROS
PROBATE COURT	HON. LOWELL ULRICH
DISTRICT COURT	HON. MICHAEL MacDONALD

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
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**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT**

Chairman and Members  
Of the Board of Commissioners  
County of Chippewa, Michigan  
Sault Ste. Marie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information, of the County of Chippewa, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chippewa, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2005, on our consideration of the County of Chippewa, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis has not been presented which accounting principles generally accepted in the United State of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chippewa, Michigan basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Chippewa, Michigan. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson Tackman & Co PLLC*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

February 18, 2005

## **Basic Financial Statements**

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# County of Chippewa, Michigan

## Statement of Net Assets

December 31, 2004

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Totals	Units
<b>ASSETS:</b>				
Cash & Investments - Unrestricted	\$ 2,899,122	\$ 6,922,028	\$ 9,821,150	\$ 1,617,965
- Restricted	290,495	-	290,495	474,608
Receivables:				
Accounts	766,731	-	766,731	1,688,827
Taxes	6,183,092	1,110,904	7,293,996	547,711
Interest	64,211	13,661	77,872	878
Internal Loans	102,893	53,734	156,627	-
Due from Governmental Units	735,569	9,999	745,568	-
Inventories	38,783	-	38,783	753,008
Prepaid Expenses	141,685	-	141,685	116,272
Capital Assets (Net of Accumulated Depreciation)	10,035,774	-	10,035,774	77,240,577
<b>TOTAL ASSETS</b>	<b>\$ 21,258,355</b>	<b>\$ 8,110,326</b>	<b>\$ 29,368,681</b>	<b>\$ 82,439,846</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Internal Loans	\$ -	\$ 63,726	\$ 63,726	\$ 92,901
Short Term Notes Payable	-	-	-	470,087
Accounts Payable	371,040	158	371,198	291,936
Accrued Liabilities	403,509	-	403,509	51,137
Advances	-	-	-	575,152
Accrued Interest Payable	94,857	-	94,857	-
Due to Governmental Units	116,727	-	116,727	717
Deferred Revenue	203,211	-	203,211	92,901
Other Liabilities	400,947	-	400,947	-
Notes Payable - Current	-	-	-	363,195
Bonds Payable - Current	742,500	-	742,500	-
Capital Leases Payable - Current	30,551	-	30,551	25,219
Non-current Liabilities:				
Notes Payable	-	-	-	879,404
Bonds Payable	13,216,500	-	13,216,500	-
Capital Leases Payable	29,591	-	29,591	13,753
Compensated Absences	541,039	-	541,039	487,287
<b>TOTAL LIABILITIES</b>	<b>16,150,472</b>	<b>63,884</b>	<b>16,214,356</b>	<b>3,343,689</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	(2,462,946)	-	(2,462,946)	75,488,919
Restricted for County Road	-	-	-	2,851,601
Restricted for Debt Service	973,629	-	973,629	-
Restricted for Capital Projects	55	-	55	-
Restricted for Other Purposes	1,615,279	-	1,615,279	-
Unrestricted	4,981,866	8,046,442	13,028,308	755,637
<b>TOTAL NET ASSETS</b>	<b>\$ 5,107,883</b>	<b>\$ 8,046,442</b>	<b>\$ 13,154,325</b>	<b>\$ 79,096,157</b>



# County of Chippewa, Michigan

## Statement of Activities For the Year Ended December 31, 2004

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government		Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Legislative	\$ 152,932	\$ -	\$ -	\$ -	\$ (152,932)	\$ -
Judicial	2,011,450	461,329	997,581	-	(552,540)	-
General Government	2,324,756	455,453	411,029	-	(1,458,274)	-
Public Safety	3,708,601	1,299,153	360,146	111,414	(1,937,888)	-
Public Works	653,881	110,539	-	-	(543,342)	-
Health & Welfare	6,058,681	3,982,431	1,441,241	-	(635,009)	-
Interest expense - Unallocated	662,048	-	-	-	(662,048)	-
Other	591,393	-	-	-	(591,393)	-
Depreciation - Unallocated	524,010	-	-	-	(524,010)	-
Total Governmental Activities	16,687,752	6,308,905	3,209,997	111,414	(7,057,436)	-
<b>Business-type activities:</b>						
Tax Collection	25,661	397,980	-	-	372,319	-
Total Business-type Activities	25,661	397,980	-	-	372,319	-
Total Primary Government	\$ 16,713,413	\$ 6,706,885	\$ 3,209,997	\$ 111,414	(7,057,436)	-
<b>Component Units:</b>						
Road Commission	\$ 6,878,220	\$ 1,532,700	\$ 6,955,844	\$ 687,071	-	2,297,395
Economic Development	2,438,968	1,486,187	32,603	1,394,105	-	473,927
Total Component Units	9,317,188	3,018,887	6,988,447	2,081,176	-	2,771,322
Total	\$ 26,030,601	\$ 9,725,772	\$ 10,198,444	\$ 2,192,590	-	-
<b>General Revenues:</b>						
Taxes						
State Revenue Sharing					5,464,344	558,376
Local Sources and Other					289,511	-
Investment Earnings (Loss)					1,764,917	72,295
					164,785	27,848
Total General Revenues and Transfers					7,683,557	658,519
Change in Net Assets					626,121	3,429,841
Net Assets - Beginning					2,287,411	75,666,316
Prior period adjustment					2,194,351	-
Net Assets - Ending					\$ 5,107,883	\$ 79,096,157

# County of Chippewa, Michigan

## Balance Sheet Governmental Funds December 31, 2004

	General	Revenue Sharing Reserve	Health Department	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash & Investments - Unrestricted	\$ 139,220	\$ -	\$ 1,223,699	\$ 1,536,203	\$ 2,899,122
- Restricted	-	-	290,495	-	290,495
Receivables:					
Accounts	243	-	685,870	80,618	766,731
Taxes	3,230,558	1,615,279	-	1,337,255	6,183,092
Interest	54,443	-	-	9,768	64,211
Due from Other Funds	100,012	-	-	717,715	817,727
Due from Governmental Units	250,066	-	208,744	276,759	735,569
Prepaid Expenses	108,626	-	33,059	-	141,685
<b>TOTAL ASSETS</b>	<b>\$ 3,883,168</b>	<b>\$ 1,615,279</b>	<b>\$ 2,441,867</b>	<b>\$ 3,958,318</b>	<b>\$ 11,898,632</b>
<b>LIABILITIES:</b>					
Due to Other Funds	\$ 252,038	\$ -	\$ -	\$ 437,534	\$ 689,572
Accounts Payable	141,010	-	158,928	71,102	371,040
Accrued Liabilities	161,748	-	208,276	33,485	403,509
Other Liabilities	3,003	-	19,655	378,289	400,947
Due to Governmental Units	-	-	62,854	53,873	116,727
Deferred Revenue	3,230,558	-	203,211	993,229	4,426,998
Compensated Absences	-	-	243,986	-	243,986
<b>TOTAL LIABILITIES</b>	<b>3,788,357</b>	<b>-</b>	<b>896,910</b>	<b>1,967,512</b>	<b>6,652,779</b>
<b>FUND BALANCES:</b>					
Restricted	-	1,615,279	-	-	1,615,279
Unrestricted	94,811	-	1,544,957	1,990,806	3,630,574
<b>TOTAL FUND BALANCES</b>	<b>94,811</b>	<b>1,615,279</b>	<b>1,544,957</b>	<b>1,990,806</b>	<b>5,245,853</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,883,168</b>	<b>\$ 1,615,279</b>	<b>\$ 2,441,867</b>	<b>\$ 3,958,318</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>					
Capital assets used by governmental activities					10,035,774
Long-term notes & leases payable for governmental activities					(14,019,142)
Compensated absences liability					(297,053)
Internal service funds included in governmental activities					13,521
Accrued interest expense					(94,857)
Deferred revenue recognized as current revenue					4,223,787
<b>Net assets of governmental activities</b>					<b>\$ 5,107,883</b>

# County of Chippewa, Michigan

## Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2004

	General	Revenue Sharing Reserve	Health Department	Non-Major Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 4,572,865	\$ 1,615,279	\$ -	\$ 1,141,769	\$ 7,329,913
Federal Sources	464,371	-	-	263,280	727,651
State Sources	1,436,280	-	1,039,735	407,256	2,883,271
Local Sources	-	-	-	669,884	669,884
Charges for Services	1,520,925	-	308,007	777,298	2,606,230
Interest & Rentals	143,947	-	-	20,838	164,785
Fees and Collections	33,966	-	3,614,286	54,423	3,702,675
Fines and Forfeitures	65,254	-	-	3,500	68,754
Other Revenue	541,801	-	84,728	399,750	1,026,279
<b>TOTAL REVENUES</b>	<b>8,779,409</b>	<b>1,615,279</b>	<b>5,046,756</b>	<b>3,737,998</b>	<b>19,179,442</b>
<b>EXPENDITURES:</b>					
Legislative	152,932	-	-	-	152,932
Judicial	2,001,410	-	-	10,040	2,011,450
General Government	2,355,031	-	-	24,929	2,379,960
Public Safety	2,331,086	-	-	1,377,515	3,708,601
Public Works	-	-	-	653,881	653,881
Health & Welfare	210,512	-	5,004,919	927,429	6,142,860
Capital Outlay	89,806	-	-	62,459	152,265
Debt Service	-	-	-	1,358,548	1,358,548
Other Expenditures	678,319	-	-	-	678,319
<b>TOTAL EXPENDITURES</b>	<b>7,819,096</b>	<b>-</b>	<b>5,004,919</b>	<b>4,414,801</b>	<b>17,238,816</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>960,313</b>	<b>1,615,279</b>	<b>41,837</b>	<b>(676,803)</b>	<b>1,940,626</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Note/Lease Proceeds	-	-	51,022	-	51,022
Operating Transfers In	180,158	-	151,400	1,046,760	1,378,318
Operating Transfers Out	(1,046,360)	-	-	(331,147)	(1,377,507)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>94,111</b>	<b>1,615,279</b>	<b>244,259</b>	<b>38,810</b>	<b>1,992,459</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>700</b>	<b>-</b>	<b>1,300,698</b>	<b>1,951,996</b>	<b>3,253,394</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 94,811</b>	<b>\$ 1,615,279</b>	<b>\$ 1,544,957</b>	<b>\$ 1,990,806</b>	<b>\$ 5,245,853</b>

# County of Chippewa, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2004

Net Changes in fund balances - total governmental funds	\$ 1,992,459
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$172,796) did not exceed depreciation (\$555,686) in the current period and book value.	(382,890)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:	
Bond & Notes Payable	696,500
Capital lease	30,176
Lease proceeds recognized as other financing sources but not for full accrual basis	(51,022)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	112,595
Recognition of taxes received for 2004 levy year for prior year	(1,865,569)
Internal service fund activity	(1,666)
Recognition of other long-term liability	<u>95,538</u>
Changes in net assets of governmental activities	<u>\$ 626,121</u>

# County of Chippewa, Michigan

## Statement of Net Assets Proprietary Funds December 31, 2004

	Business - type Activities	Governmental Activities
	Enterprise Fund Tax Collections	Internal Service Fund
<b>ASSETS:</b>		
Cash & Investments	\$ 6,922,028	\$ -
Taxes	1,110,904	-
Inventories	-	38,783
Due from Other Funds	53,734	-
Due from Other Governmental Units	9,999	-
Accrued Interest Receivables	13,661	-
<b>TOTAL ASSETS</b>	<b>\$ 8,110,326</b>	<b>\$ 38,783</b>
<b>LIABILITIES:</b>		
Due to Other Funds	\$ 63,726	\$ 25,262
Accounts Payable	158	-
<b>TOTAL LIABILITIES</b>	<b>63,884</b>	<b>25,262</b>
<b>NET ASSETS:</b>		
Unrestricted	8,046,442	13,521
<b>TOTAL NET ASSETS</b>	<b>\$ 8,046,442</b>	<b>\$ 13,521</b>

# County of Chippewa, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2004

	Business - type Activities	Governmental Activities
	Enterprise Fund Tax Collections	Internal Service Fund
<b>OPERATING REVENUES:</b>		
Charges for Services	\$ 14,408	\$ 18,971
Interest & Rentals	383,572	-
Total Operating Revenues	397,980	18,971
<b>OPERATING EXPENSES:</b>		
Supplies	-	19,826
General and Administrative	25,661	-
Total Operating Expenses	25,661	19,826
<b>OPERATING INCOME (LOSS)</b>	372,319	(855)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest on Deposits	29,029	-
Operating Transfers In	3,200,000	-
Operating Transfers Out	(3,200,000)	(811)
Total Non-operating Expenses	29,029	(811)
<b>CHANGE IN NET ASSETS</b>	401,348	(1,666)
<b>NET ASSETS, JANUARY 1</b>	7,645,094	15,187
<b>NET ASSETS, DECEMBER 31</b>	\$ 8,046,442	\$ 13,521

# County of Chippewa, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2004

	Business - type Activities	Governmental Activities
	Enterprise Fund Tax Collections	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers	\$ 2,174,400	\$ 18,942
Payments to Suppliers	(979,181)	(18,131)
Net Cash Provided (Used) by Operating Activities	1,195,219	811
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating Transfers In	3,200,000	-
Operating Transfers Out	(3,200,000)	(811)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(811)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Income	29,029	-
Net Cash Provided (Used) by Investing Activities	29,029	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,224,248	-
Balances - Beginning of the Year	5,697,780	-
Balances - End of the Year	\$ 6,922,028	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ 372,319	\$ (855)
Adjustments to Reconcile Operating Income (Loss) to Net cash Provided (Used) by Operating Activities.		
Change in Assets and Liabilities:		
Taxes Receivable	165,011	-
Accrued Interest Receivable	111,146	-
Inventory	-	1,695
Due from Other Funds	654,959	-
Accounts Payable	158	-
Due to Other Funds	(108,374)	(29)
Net Cash Provided by Operating Activities	\$ 1,195,219	\$ 811

# County of Chippewa, Michigan

## Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2004

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash & Investments - Unrestricted	\$ 2,024,447
Receivables:	
Other Receivables	<u>175,015</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,199,462</u></u>
<b>LIABILITIES:</b>	
Due to Other Governmental Units	\$ 334,624
Other Liabilities	15,085
Undistributed Tax Collections	1,280,079
Undistributed Receipts	<u>569,674</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 2,199,462</u></u>



# County of Chippewa, Michigan

## Statement of Net Assets

### Component Units

December 31, 2004

	Road Commission	Economic Development Corporation	Totals
<b>ASSETS:</b>			
Cash & Investments - Unrestricted	\$ 1,268,167	\$ 349,798	\$ 1,617,965
- Restricted	-	474,608	474,608
Receivables:			
Interest	-	878	878
Accounts	1,484,346	204,481	1,688,827
Taxes	547,711	-	547,711
Inventory	728,910	24,098	753,008
Prepaid Expense	116,272	-	116,272
Capital Assets (net)	57,648,877	19,591,700	77,240,577
<b>TOTAL ASSETS</b>	<b>\$ 61,794,283</b>	<b>\$ 20,645,563</b>	<b>\$ 82,439,846</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Short Term Note Payable	\$ -	\$ 470,087	\$ 470,087
Accounts Payable	236,158	55,778	291,936
Due to Governmental Units	717	-	717
Amounts Due to Primary Government	-	92,901	92,901
Deferred Revenue	-	92,901	92,901
Accrued Liabilities	51,137	-	51,137
Advances	575,152	-	575,152
Notes Payable - Current	345,013	18,182	363,195
Leases Payable - Current	-	25,219	25,219
Non-Current Liabilities:			
Notes Payable	835,653	43,751	879,404
Leases Payable	-	13,753	13,753
Compensated Absences	430,641	56,646	487,287
<b>TOTAL LIABILITIES</b>	<b>2,474,471</b>	<b>869,218</b>	<b>3,343,689</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	56,468,211	19,020,708	75,488,919
Restricted for County Road	2,851,601	-	2,851,601
Unrestricted	-	755,637	755,637
<b>TOTAL NET ASSETS</b>	<b>59,319,812</b>	<b>19,776,345</b>	<b>79,096,157</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 61,794,283</b>	<b>\$ 20,645,563</b>	<b>\$ 82,439,846</b>

See accompanying notes to financial statements.

# County of Chippewa, Michigan

## Statement of Activities Component Units For the Year Ended December 31, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
<b>Road Commission:</b>						
Public Works	\$ 1,532,700	\$ 6,955,844	\$ 687,071	\$ 2,297,395	\$ -	\$ 2,297,395
<b>Economic Development Corporation</b>						
Economic Development	1,486,187	32,603	1,394,105	-	473,927	473,927
Total Component Units	\$ 3,018,887	\$ 6,988,447	\$ 2,081,176	2,297,395	473,927	2,771,322
<b>General Revenues:</b>						
Taxes				558,376	-	558,376
Investment Earnings				14,334	13,514	27,848
Other				72,295	-	72,295
Total General Revenues and Transfers				645,005	13,514	658,519
Change in Net Assets				2,942,400	487,441	3,429,841
Net Assets - Beginning				56,377,412	19,288,904	75,666,316
Net Assets - Ending				\$ 59,319,812	\$ 19,776,345	\$ 79,096,157

See accompanying notes to financial statements.

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County of Chippewa, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

**A – Reporting Entity:****Financial Reporting Entity**

The County of Chippewa was incorporated under the laws of the State of Michigan in 1877 and operates under an elected Commission form of government. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Chippewa (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

**Component Units:**

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

**Blended Component Units**

Chippewa County Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

Chippewa County Health Department – The members of the governing body of the Chippewa County Health Department are appointed by the County Commission. The Health Department provides limited health services to residents of Chippewa County. The Chippewa County Health Department is a Special Revenue fund of the County of Chippewa, Michigan, and is presented on its fiscal year end, September 30, 2004.

**Discretely Presented Component Units**

The component units' columns in the financial statements include the financial data of the County's two other component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Chippewa County Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, travel, and per diem rates, bonded debt must be approved by the County Commission.

Chippewa County Economic Development Corporation – The members of the governing board are jointly appointed by the County and other governmental units. The Corporation's capital budgets are subject to approval of the County Commission. The county generally is liable for disallowed grant expenditures as well.

Condensed Financial Statements – The combining financial statements present condensed financial statements of each of the two discretely presented component units. Complete financial statements of the individual component units can be obtained directly from their administrative offices.

**Discretely Presented Component Units Administrative Offices:**

Chippewa County Road Commission  
3949 S. Mackinac Trail  
Sault Ste. Marie, MI 49783

Chippewa County Economic Development Corporation  
119 Cully Road, Bldg. 119  
Kincheloe, MI 49788

**Blended Component Unit Administrative Offices:**

Chippewa County Health Department  
508 Ashmun, Suite 120  
Sault Ste. Marie, MI 49783

**Multi-County Agency**

The County participates jointly in the operation of the Hiawatha Behavioral Health Authority with Mackinac and Schoolcraft Counties. All financial operations of the Authority are recorded in Schoolcraft County. The funding formula requires the County to provide approximately 60% of the budget appropriation requirement, which amounted to \$194,868 for the year ended December 31, 2004.

The County participates jointly in the operation of the Luce-Chippewa County Family Independence Agency (a special revenue fund of Chippewa County). All financial operations of the Agency are recorded in Chippewa County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Jointly Organized Unit**

The Chippewa County – Sault Ste. Marie Joint Building Authority, an entity legally separated from the County, is governed by a four-member board appointed by the City and County Commissions. For financial reporting purposes, the Authority is reported as a separate unit because its purpose is to finance and maintain joint building operations. The Authority operates on an August 31 fiscal year. The County remitted payments during 2004 in the amount of \$101,339.

**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current or Property Taxes**

The County of Chippewa property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Chippewa as of the preceding December 31<sup>st</sup>.

Although the County of Chippewa 2004 ad valorem tax is levied and collectible on December 1, 2004 it is the County of Chippewa's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the County of Chippewa totaled \$802,649,760, on which ad valorem taxes levied consisted of 6.0373 mills for the County operating, 0.4213 mills for fire/ambulance services, 0.9779 mills for roads, 0.4908 mills for recycling, 0.6000 mills for debt service, raising \$4,845,837 for operating, \$378,289 for fire/ambulance services, \$393,941 for roads, \$580,717 for recycling, and \$481,590 for debt service.

The County reports the following major governmental funds:

**General Fund**

This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Health Department**

This Fund accounts for health services and related grant funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Sharing Reserve**

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

The county reports the following major proprietary fund:

**Tax Collection Fund**

This fund accounts for property tax administration within the county.

Additionally, the County reports the following fund types:

**Internal Service Fund**

This fund accounts for central purchases as provider to other departments of the government on a cost reimbursement basis.

**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is generally allocated to each fund based on the average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaids Items – Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of paper and office supplies. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads and Bridges	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) – It is the County of Chippewa’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick pay is accrued when incurred in the government-wide financial statements for employees with three years or more of service with the County of Chippewa. All vacation pay is accrued when incurred in the government-wide financial statements.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with Statement of Financial Accounting Standards 43, no liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulating sick-leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Board of Commissioners reviews a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year, the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chippewa County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

- e. Supplemental appropriations are submitted to and reviewed and submitted to the Finance Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's office through a budget revision.
- f. The County of Chippewa adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets were adopted in substance on the modified accrual basis which is consistent with U.S. generally accepted accounting principles. Budgeted amounts reported in the financial statements are as amended by the County Board of Commissioners which was materially the same as originally adopted.
- h. General Fund budgeted appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year revert to the County General Fund and all budgets lapse at year end.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principals require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the County incurred expenditures in the General and Special Revenue Funds which were in excess of the amount appropriated, as listed in the Schedule of Findings and Questioned Costs as item 04-4.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents					
-Unrestricted	\$ 2,899,122	\$ 6,922,028	\$ 2,024,447	\$ 11,845,597	\$ 1,617,965
-Restricted	<u>290,495</u>	<u>-</u>	<u>-</u>	<u>290,495</u>	<u>474,608</u>
Total	<u>\$ 3,189,617</u>	<u>\$ 6,922,028</u>	<u>\$ 2,024,447</u>	<u>\$ 12,136,092</u>	<u>\$ 2,092,573</u>

The Breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 12,060,393	\$ 2,062,932
Investment in Securities, Mutual Funds and Similar Vehicles	72,619	29,011
Petty Cash and Cash on Hand	<u>3,080</u>	<u>630</u>
Total	<u>\$ 12,136,092</u>	<u>\$ 2,092,573</u>

The bank balance of the primary government's deposits is \$12,089,279, of which \$413,273 is covered by federal depository insurance. The component units' deposits had a bank balance of \$2,227,891, of which \$334,783 was covered by federal depository insurance.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Investments are categorized into these three categories of credit risk:

- 1. Insured or registered, or securities held by the County or its agent in the government's name;
- 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
- 3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

At year-end, the government's investment balances were categorized as follow:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary Government:				
Repurchase Agreements	\$ -	\$ 72,619	\$ -	\$ 72,619
Total Primary Government	\$ -	\$ 72,619	\$ -	72,619
Component Units:				
Investments Not Subject to Categorization:				
Mutual Funds				29,011
Total				\$ 101,630

The County's deposits and investment policy are in accordance with statutory authority.

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Revenue Reserve	Health Department	Non-Major and Other Funds	Total
Taxes Receivable	\$ 3,230,558	\$ 1,615,279	\$ -	\$ 1,337,255	\$ 6,183,092
Accounts	243	-	685,870	80,618	766,731
Due from Government Units	250,066	-	208,744	276,759	735,569
Interest and Other Receivables	54,443	-	-	9,768	64,211
Net Receivables	\$ 3,535,310	\$ 1,615,279	\$ 894,614	\$ 1,704,400	\$ 7,749,603

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 374,020	\$ -	\$ (144,400)	\$ 229,620
<i>Capital assets being depreciated:</i>				
Land improvements	-	209,400	-	209,400
Buildings & improvements	15,610,216	-	(65,000)	15,545,216
Furniture & equipment	920,614	137,289	-	1,057,903
Vehicles	644,380	71,249	(105,949)	609,680
Subtotal	17,175,210	417,938	(170,949)	17,422,199
Less accumulated depreciation	(9,324,917)	(555,686)	2,264,558	(7,616,045)
Net Capital Assets Being Depreciated	7,850,293	(137,748)	2,093,609	9,806,154
Governmental Activity Capital Assets, Net of Depreciation	\$ 8,224,313	\$ (137,748)	\$ 1,949,209	\$ 10,035,774

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Health & Welfare	\$ 31,676
Unallocated	524,010
Total Governmental Activities	<u>\$ 555,686</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County of Chippewa reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		<b>DUE TO OTHER FUNDS</b>				
<b>DUE FROM</b>		<u>General Fund</u>	<u>Tax Collections</u>	<u>All Others</u>	<u>Component Units</u>	<u>Totals</u>
	General Fund	\$ -	\$ -	\$ 252,038	\$ -	\$ 252,038
	Tax Collections	-	53,734	9,991	-	63,725
	All Others	7,111	-	455,686	92,901	555,698
	Total	<u>\$ 7,111</u>	<u>\$ 53,734</u>	<u>\$ 717,715</u>	<u>\$ 92,901</u>	<u>\$ 871,461</u>



**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	TRANSFERS TO				
	General Fund	Health Dept.	Non-Major Governmental	All Others	Total
General Fund	\$ -	\$ 151,400	\$ 1,046,760	\$ -	\$ 1,198,160
Non-Major Governmental	180,158	-	-	-	180,158
All Other	-	-	-	3,200,000	3,200,000
Total	\$ 180,158	\$ 151,400	\$ 1,046,760	\$ 3,200,000	\$ 4,578,318

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7 - LEASES**

Capital Leases – The Health Department and EDC has entered into lease agreements as lessee for financing the purchase of computers and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

Year Ended June 30	Health Department	EDC
2005	\$ 33,699	\$ 24,408
2006	30,550	13,753
Total Minimum Lease Payments	64,249	38,161
Less: Amount Representing Interest	(4,107)	(3,140)
Present Value	\$ 60,142	\$ 35,021

Additionally, the County has executed several cancelable operating leases on a month-to-month basis.

**NOTE 8 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amount levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>							
General Obligation Bonds							
1977 Superior Twp. Water & Sewer Bonds	5.00%	2016	\$ 70,000	\$ -	\$ 5,000	\$ 65,000	\$ 5,000
2000 Chippewa Co. Water Supply System Bonds (Series A)	4.50%	2040	579,000	-	6,000	573,000	7,000
2000 Chippewa Co. Water Supply System Bonds (Series B)	4.50%	2040	26,500	-	500	26,000	500
1995 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	5.04%	2015	2,505,000	-	150,000	2,355,000	165,000
1995 Building Authority Bonds	5.47%	2015	1,435,000	-	85,000	1,350,000	90,000
1998 City of Sault Ste. Marie Water Supply and Sewage Disposal System Bonds	4.29%	2018	2,540,000	-	90,000	2,450,000	100,000
1999 Building Authority Bonds	4.30%	2018	3,935,000	-	140,000	3,795,000	150,000
2000 Building Authority Bonds	4.83%	2009	1,025,000	-	155,000	870,000	160,000
2001 Chippewa County Water Supply and Sewage Disposal System Bonds	3.50%	2022	2,540,000	-	65,000	2,475,000	65,000
Total Governmental Activities			<u>\$ 14,655,500</u>	<u>\$ -</u>	<u>\$ 696,500</u>	<u>\$ 13,959,000</u>	<u>\$ 742,500</u>

**NOTE 8 - LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	742,500	643,232
2006	807,500	628,827
2007	812,500	572,091
2008	857,500	533,949
2009	913,500	493,605
2010-2014	4,287,500	1,873,198
2015-2019	4,303,500	816,215
2020-2024	852,500	172,358
2025-2029	92,000	75,983
2030-2034	115,000	52,766
2035-2039	142,500	23,976
2040	<u>32,500</u>	<u>731</u>
Total	<u>\$ 13,959,000</u>	<u>\$ 5,886,931</u>

**Compensated Absences – County General Employees**

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. The accumulated sick leave earned by each employee during the current year is credited to each employee at year end that has three or more years of service. Non union employees do not receive compensation for sick leave upon retirement or leaving employment.

A summary of accrued compensated absences at December 31, 2004 is as follows:

Vacation	\$ 204,714
Sick Leave	333,350
Compensation Time	<u>2,975</u>
TOTALS	<u>\$ 541,039</u>

**NOTE 9 - SEGMENT INFORMATION:**

Segment information for the year ended December 31, is as follows:

	<u>Economic Development</u>
Operating revenue	\$ 1,486,187
Depreciation	1,037,005
Operating income (loss)	(927,680)
Net income	487,441
Total assets	20,645,563
Net working capital	298,795
Total equity	19,776,345

**NOTE 10 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provide to employees. The County has purchased commercial insurance for claims and participates a risk pool for claims relating to the County is uninsured for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

The County estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were not available.

**NOTE 11 - CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2004.

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS**

The County provides post retirement hospitalization to employees of the government pursuant to the terms of union contracts. Additionally, some elected County officials who served more than 20 years and are retired receive post retirement hospitalization, pursuant to Board of Commissioner's resolution.

The County funds between 0% and 100% of the premiums of the policies on a pay-as-you-go basis depending on the contract. During 2004, the County paid hospitalization premiums for 35 qualified individuals. At December 31, 2004, the County contributed \$256,674 towards hospitalization insurance

**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employee to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2004 is as follows:

General – Other	11.88%
Sheriff	13.02%
Health Department	5.13%
Employment, Training	6.91%
General – Economic	8.28%
Economic Officials	7.56%

**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Annual Pension Cost

During the fiscal year ended December 31, 2004, the County's contributions totaling \$502,622 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial Value of Assets	\$ 16,467,208	\$ 17,113,545	\$ 18,576,288
Actuarial Accrued Liability	18,117,222	19,641,138	21,329,406
Unfunded AAL	1,650,014	2,527,593	2,753,118
Funded Ratio	91%	87%	87%
Covered Payroll	5,995,031	6,362,413	5,411,733
UAAL as a Percentage of Covered Payroll	28%	40%	51%

**ROAD COMMISSION**

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute 0% to 10% to the plan. The Road Commission is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2003 is as follows:

General	12.66%
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Annual Pension Cost (Road Commission)

During the fiscal year ended December 31, 2004, the Commission's contributions totaling \$232,026 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as level percent of payroll on a closed basis. The remaining amortization period is 30 years.

**NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31, follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 9,294,205	\$ 9,255,579	\$ 9,626,892
Actuarial Accrued Liability	10,559,689	11,187,090	12,002,874
Unfunded AAL	1,265,484	1,931,511	2,375,982
Funded Ratio	88%	83%	80%
Covered Payroll	2,162,460	2,274,735	2,487,392
UAAL as a Percentage of Covered Payroll	59%	85%	96%

**NOTE 14 - DEFERRED COMPENSATION PLAN**

Chippewa County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Chippewa County's financial Statements.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT:**

In the previous year, the governmental unit reported capital assets and accumulated depreciation utilizing an accelerated method of depreciation and estimated costs. The amount invested in capital assets has been restated to conform with U.S. generally accepted accounting principles as follows: Increase in net assets \$2,194,351. Beginning net assets were restated to \$4,481,762 from previously reported amount of \$2,287,411.



## **Required Supplementary Information**

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# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$ 4,726,126	\$ 4,726,126	\$ 4,572,865	\$ (153,261)
Federal Sources	408,423	408,423	464,371	55,948
State Sources	1,701,179	1,701,179	1,436,280	(264,899)
Charges for Services	1,528,210	1,569,010	1,520,925	(48,085)
Interest & Rentals	190,000	190,000	143,947	(46,053)
Fees & Collections	29,500	29,500	33,966	4,466
Fines & Forfeitures	75,000	86,409	65,254	(21,155)
Other Revenue	471,875	437,075	541,801	104,726
TOTAL REVENUES	9,130,313	9,147,722	8,779,409	(368,313)
EXPENDITURES:				
Legislative:				
Board of Commissioners	138,675	138,675	152,932	(14,257)
Judicial:				
Juvenile Justice	-	341,971	295,546	46,425
Circuit Court	627,027	285,806	283,255	2,551
District Court	480,979	467,242	443,925	23,317
Friend of the Court	322,997	323,088	316,579	6,509
Jury Board	2,105	2,105	2,874	(769)
Probate Court	398,824	394,890	370,665	24,225
Public Defender	237,540	230,475	253,931	(23,456)
Bailiff	33,623	33,623	34,635	(1,012)
Total Judicial	2,103,095	2,079,200	2,001,410	77,790
General Government:				
County Controller	285,260	271,476	248,244	23,232
Information Systems	200,250	193,626	175,574	18,052
Elections	50,000	50,000	33,105	16,895
County Clerk	225,248	223,247	195,167	28,080
Equalization	207,909	175,307	188,132	(12,825)
Prosecuting Attorney	421,479	377,663	375,280	2,383
Support Coordinator	91,948	91,948	87,821	4,127
Crime Victim Advocate	45,918	45,918	40,224	5,694
Remonumentation	125,027	125,027	170,201	(45,174)
Register of Deeds	224,578	219,047	190,959	28,088
Treasurer	236,495	234,480	222,311	12,169
Cooperative Extension	77,676	70,768	54,723	16,045
Buildings & Grounds	205,715	186,747	320,652	(133,905)
Drain Commission	1,369	1,369	4,622	(3,253)
Soil Conservation District	22,000	22,000	22,000	-
Surveyor	26,092	25,092	26,016	(924)
Total General Government	2,446,964	2,313,715	2,355,031	(41,316)

# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Public Safety:</b>				
Sheriff	740,270	685,215	731,554	(46,339)
Concealed Weapons Board	9,900	7,650	6,159	1,491
S.A.N.E	80,385	65,385	66,043	(658)
Marine	27,049	23,049	19,992	3,057
Northern Int'l. Crime Stopper	750	750	750	-
Jail	1,236,507	1,204,949	1,331,521	(126,572)
Regional Planning Commission	17,100	8,550	8,550	-
Snowmobile patrol grant	29,759	29,759	35,099	(5,340)
O.R.V. Grant	12,188	12,188	16,899	(4,711)
Animal Control	152,761	126,395	114,519	11,876
A.T.V. Grant	12,536	12,536	-	12,536
<b>Total Public Safety</b>	<b>2,319,205</b>	<b>2,176,426</b>	<b>2,331,086</b>	<b>(154,660)</b>
<b>Health &amp; Welfare:</b>				
Contagious Diseases	1,000	1,000	-	1,000
Health Board	7,000	7,000	7,578	(578)
Substance Abuse	74,987	74,987	80,917	(5,930)
Medical Examiner	15,500	15,500	17,373	(1,873)
Health Department Building & Tax	41,062	41,062	14,343	26,719
Veterans Affairs	71,894	69,466	69,301	165
Senior Citizen Nutrition Program	42,000	21,000	21,000	-
<b>Total Health &amp; Welfare</b>	<b>253,443</b>	<b>230,015</b>	<b>210,512</b>	<b>19,503</b>
<b>Recreational and cultural:</b>				
UPTRA	500	500	-	500
<b>Other Expenditures:</b>				
Retirees Hospitalization	245,000	245,000	256,674	(11,674)
Insurance	95,000	95,000	137,065	(42,065)
Rural Bus Program	23,750	11,876	11,875	1
Legal Services	10,000	10,000	9,972	28
Audit	22,100	22,100	22,413	(313)
Telephone	10,000	5,000	4,914	86
Postage Meter	5,500	5,500	2,656	2,844
Other Miscellaneous	15,300	15,300	10,538	4,762
Cost Allocation Plan	5,000	5,000	-	5,000
PILT - Townships	30,000	30,000	30,000	-
Appropriations	147,800	147,800	194,868	(47,068)
<b>Total Other Expenditures</b>	<b>609,450</b>	<b>592,576</b>	<b>680,975</b>	<b>(88,399)</b>

# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay:				
Record Copier	25,000	10,000	9,225	775
Computer	25,000	25,000	12,259	12,741
Office Furniture	1,800	-	-	-
Vehicle	-	65,667	65,666	1
Total Capital Outlay	51,800	100,667	87,150	13,517
TOTAL EXPENDITURES	7,923,132	7,631,774	7,819,096	(187,322)
EXCESS OF REVENUES OVER EXPENDITURES	1,207,181	1,515,948	960,313	(555,635)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	75,998	75,998	180,158	104,160
Operating Transfers Out	(1,282,914)	(1,121,437)	(1,046,360)	75,077
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 265	\$ 470,509	94,111	\$ (376,398)
FUND BALANCE, JANUARY 1			700	
FUND BALANCE, DECEMBER 31			\$ 94,811	

# County of Chippewa, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Revenue Sharing Reserve Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,615,279	\$ 1,615,279
EXPENDITURES:				
Legislative:				
Board of Commissioners	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	-	1,615,279	1,615,279
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	1,615,279	\$ 1,615,279
FUND BALANCE, JANUARY 1			-	
FUND BALANCE, DECEMBER 31			\$ 1,615,279	

Required Supplemental Information  
Budgetary Comparison Schedule  
Health Department  
Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 729,973	\$ 890,487	\$ 1,039,735	\$ 149,248
Charges for Services	143,343	245,663	308,007	62,344
Fees and Collections	3,062,272	3,553,340	3,614,286	60,946
Other Revenue	122,215	118,312	84,728	(33,584)
TOTAL REVENUES	4,057,803	4,807,802	5,046,756	238,954
EXPENDITURES:				
Health and Welfare	4,272,682	4,962,489	5,004,919	(42,430)
TOTAL EXPENDITURES	4,272,682	4,962,489	5,004,919	(42,430)
EXCESS OF REVENUES OVER EXPENDITURES	(214,879)	(154,687)	41,837	196,524
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	51,022	51,022
Operating Transfers In	214,879	154,687	167,762	13,075
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	260,621	\$ 260,621
FUND BALANCE, OCTOBER 1			1,300,698	
FUND BALANCE, SEPTEMBER 31			\$ 1,561,319	

## **Other Supplemental Information**

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Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2004

Special Revenue Funds									
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Ambulance	Office of Emergency Services	Emergency Telephone System
ASSETS:									
Cash & Investments - Unrestricted	\$ 14,001	\$ -	\$ 1,557	\$ 1,964	\$ 25	\$ 735	\$ 339,458	\$ -	\$ 45,026
Accounts Receivable	-	-	-	-	-	-	-	-	46,339
Taxes Receivable	-	-	-	-	-	-	378,289	-	-
Accrued Interest on Deposits	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	13,860	-	-	-	-	-	-	92,901
Due from Governmental Units	-	-	15,789	-	-	-	-	163,598	-
TOTAL ASSETS	\$ 14,001	\$ 13,860	\$ 17,346	\$ 1,964	\$ 25	\$ 735	\$ 717,747	\$ 163,598	\$ 184,266
LIABILITIES:									
Accounts Payable	\$ 3/4	\$ 344	\$ -	\$ -	\$ -	\$ -	\$ 6,411	\$ -	\$ 1,999
Due to Other Funds	-	10,041	-	-	-	-	-	117,896	92,901
Due to Governmental Units	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	3,439	-	-	-	-	-	2,268	15,825
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	374	13,824	-	-	-	-	384,700	120,164	110,725
FUND BALANCES:									
Unreserved:									
Designated	-	-	-	-	-	-	-	-	-
Undesignated	13,627	36	17,346	1,964	25	735	333,047	43,434	73,541
TOTAL FUND BALANCES	13,627	36	17,346	1,964	25	735	333,047	43,434	73,541
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,001	\$ 13,860	\$ 17,346	\$ 1,964	\$ 25	\$ 735	\$ 717,747	\$ 163,598	\$ 184,266



# County of Chippewa, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

Special Revenue Funds									
	ADC Child Support	Community Service	Correctional Facility Maintenance	Hazardous Waste Facility	Superior Twp 2000 Improvements Maint	Chippewa County Recycling	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation
ASSETS:									
Cash & Investments - Unrestricted	\$ 7,653	\$ 3,790	\$ 9,054	\$ -	\$ 51,255	\$ 276,646	\$ 20,838	\$ 2,758	\$ 38,043
Accounts Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	378,249	-	-	-
Accrued Interest on Deposits	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	1,831	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 7,653	\$ 3,790	\$ 9,054	\$ 1,831	\$ 51,255	\$ 654,895	\$ 20,838	\$ 2,758	\$ 38,043
LIABILITIES:									
Accounts Payable	\$ 1,260	\$ -	\$ 5,292	\$ 1,805	\$ -	\$ -	\$ 3,767	\$ 2,721	\$ 736
Due to Other Funds	-	-	-	26	-	-	-	-	-
Due to Governmental Units	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	887	-	-	-	2,401	-	1,099
Deferred Revenue	-	-	-	-	-	378,249	-	-	-
TOTAL LIABILITIES	1,260	-	6,179	1,831	-	378,249	6,168	2,721	1,835
FUND BALANCES:									
Unreserved:									
Designated	-	-	-	-	-	-	-	-	-
Undesignated	6,393	3,790	2,875	-	51,255	276,646	14,670	37	36,208
TOTAL FUND BALANCES	6,393	3,790	2,875	-	51,255	276,646	14,670	37	36,208
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,653	\$ 3,790	\$ 9,054	\$ 1,831	\$ 51,255	\$ 654,895	\$ 20,838	\$ 2,758	\$ 38,043

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2004

	Chippewa County Liason Officer	Special Revenue Funds									
		Local		Law		Corrections		Sheriff		Road	
		Secondary	Law	Enforcement	Training	Officer's	Patrol	Patrol	Special	Patrol	Projects
		Road	Training	Training	Training	Training	Patrol	Overtime	Projects	Library	Animal
		Patrol									Shelter
											Donations
<b>ASSETS:</b>											
Cash & Investments - Unrestricted	\$ -	\$ -	\$ 6,176	\$ -	\$ 689	\$ 12,690	\$ -	\$ -	\$ 10,779	\$ 4,158	\$ -
Accounts Receivable	-	-	-	-	-	-	-	31,222	-	-	3,057
Taxes Receivable	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest on Deposits	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	18,873	56,405	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	37,595	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 18,873</b>	<b>\$ 94,000</b>	<b>\$ 6,176</b>	<b>\$ -</b>	<b>\$ 689</b>	<b>\$ 12,690</b>	<b>\$ 31,222</b>	<b>\$ 10,779</b>	<b>\$ 4,158</b>	<b>\$ 3,057</b>	
<b>LIABILITIES:</b>											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126	\$ -	\$ -	\$ -
Due to Other Funds	-	55,234	-	-	-	-	-	21,367	-	-	-
Due to Governmental Units	18,873	-	-	-	-	-	-	-	-	-	-
Accrued Liabilities	-	3,415	-	-	-	-	-	3,780	-	371	-
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>18,873</b>	<b>58,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,147</b>	<b>126</b>	<b>371</b>	<b>-</b>	
<b>FUND BALANCES:</b>											
Unreserved:	-	-	-	-	-	-	-	-	-	-	-
Designated	-	35,351	6,176	689	12,690	6,075	10,653	3,787	3,057		
Undesignated	-	35,351	6,176	689	12,690	6,075	10,653	3,787	3,057		
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>94,000</b>	<b>6,176</b>	<b>689</b>	<b>12,690</b>	<b>31,222</b>	<b>10,779</b>	<b>4,158</b>	<b>3,057</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,873</b>	<b>\$ 94,000</b>	<b>\$ 6,176</b>	<b>\$ 689</b>	<b>\$ 12,690</b>	<b>\$ 31,222</b>	<b>\$ 10,779</b>	<b>\$ 4,158</b>	<b>\$ 3,057</b>		

# County of Chippewa, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds									
	Youth Substance Abuse Assistance	Chippewa County FIA Appropriation	FIA Basic Grant	Family Independence Agency	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	Hakola-Ross Drainage	
<b>ASSETS:</b>										
Cash & Investments - Unrestricted	\$ -	\$ -	\$ 1,427	\$ 49,092	\$ 35,310	\$ -	\$ 676	\$ 3,279	\$ 7,503	
Accounts Receivable	-	-	-	-	-	-	-	-	-	
Taxes Receivable	-	-	-	-	-	-	-	-	-	
Accrued Interest on Deposits	-	-	-	-	-	-	-	-	-	
Due from Other Funds	4,178	597	-	-	-	156,294	-	-	-	
Due from Governmental Units	-	-	-	34,263	-	25,514	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 4,178</b>	<b>\$ 597</b>	<b>\$ 1,427</b>	<b>\$ 83,355</b>	<b>\$ 35,310</b>	<b>\$ 181,808</b>	<b>\$ 676</b>	<b>\$ 3,279</b>	<b>\$ 7,503</b>	
<b>LIABILITIES:</b>										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,267	\$ -	\$ -	\$ -	
Due to Other Funds	4,178	597	-	-	-	135,294	-	-	-	
Due to Governmental Units	-	-	-	35,000	-	-	-	-	-	
Accrued Liabilities	-	-	-	-	-	-	-	-	-	
Deferred Revenue	-	-	-	34,263	-	-	-	-	-	
<b>TOTAL LIABILITIES</b>	<b>\$ 4,178</b>	<b>\$ 597</b>	<b>\$ -</b>	<b>\$ 69,263</b>	<b>\$ -</b>	<b>\$ 181,561</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>FUND BALANCES:</b>										
Unreserved:										
Designated	-	-	-	-	-	-	-	-	7,503	
Undesignated	-	-	1,427	14,092	35,310	247	676	3,279	-	
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,427</b>	<b>\$ 14,092</b>	<b>\$ 35,310</b>	<b>\$ 247</b>	<b>\$ 676</b>	<b>\$ 3,279</b>	<b>\$ 7,503</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,178</b>	<b>\$ 597</b>	<b>\$ 1,427</b>	<b>\$ 83,355</b>	<b>\$ 35,310</b>	<b>\$ 181,808</b>	<b>\$ 676</b>	<b>\$ 3,279</b>	<b>\$ 7,503</b>	

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2004

	Debt Service Funds									
	2001 City of SSM Debt Retirement	Superior Township 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	Jail Expansion Bond Retirement	1995 City of SSM Debt Retirement	Avery Square Bond Retirement	1988 Bldg. Authority Bond Retirement	Courthouse Annex Renovation	
<b>ASSETS:</b>										
Cash & Investments - Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 370,567	\$ -	\$ 218,683	\$ 1,835	\$ -	
Accounts Receivable	-	-	-	-	-	-	-	-	-	
Taxes Receivable	-	-	-	-	580,717	-	-	-	-	
Accrued Interest on Deposits	-	-	-	-	8,993	-	775	-	-	
Due from Other Funds	-	-	-	-	372,776	-	-	-	-	
Due from Governmental Units	-	-	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,333,053</b>	<b>\$ -</b>	<b>\$ 219,458</b>	<b>\$ 1,835</b>	<b>\$ -</b>	
<b>LIABILITIES:</b>										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Due to Other Funds	-	-	-	-	-	-	-	-	-	
Due to Governmental Units	-	-	-	-	-	-	-	-	-	
Accrued Liabilities	-	-	-	-	-	-	-	-	-	
Deferred Revenue	-	-	-	-	580,717	-	-	-	-	
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>580,717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>FUND BALANCES:</b>										
Unreserved:										
Designated	-	-	-	-	752,336	-	219,458	1,835	-	
Undesignated	-	-	-	-	-	-	-	-	-	
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>752,336</b>	<b>-</b>	<b>219,458</b>	<b>1,835</b>	<b>-</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,333,053</b>	<b>\$ -</b>	<b>\$ 219,458</b>	<b>\$ 1,835</b>	<b>\$ -</b>	

	Debt Service Funds	Capital Project Funds			Totals
	1977 Superior Twp. Debt Retirement	2000 Superior Twp. Improvements	Courthouse Annex Renovation		(Memorandum Only)
<b>ASSETS:</b>					
Cash & Investments - Unrestricted	\$ -	\$ 55	\$ 481	\$	1,536,203
Accounts Receivable	-	-	-	-	80,618
Taxes Receivable	-	-	-	-	1,337,255
Accrued Interest on Deposits	-	-	-	-	9,768
Due from Other Funds	-	-	-	-	717,715
Due from Governmental Units	-	-	-	-	276,759
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 55</b>	<b>\$ 481</b>	<b>\$</b>	<b>3,958,318</b>
<b>LIABILITIES:</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$	71,102
Due to Other Funds	-	-	-	-	437,534
Due to Governmental Units	-	-	-	-	53,873
Accrued Liabilities	-	-	-	-	33,485
Deferred Revenue	-	-	-	-	993,229
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,967,512</b>
<b>FUND BALANCES:</b>					
Unreserved:					
Designated	-	55	-	-	981,187
Undesignated	-	-	481	-	1,009,619
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>55</b>	<b>481</b>	<b>-</b>	<b>1,990,806</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 55</b>	<b>\$ 481</b>	<b>\$</b>	<b>3,958,318</b>

# County of Chippewa, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2004

Special Revenue Funds										
	50th Circuit Court	Construction Code	HUD Grant	Victim's Compensation	D.A.R.E.	Family Counseling	Ambulance	Office of Emergency Services	Emergency Telephone System	
<b>REVENUES:</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,355	\$ -	\$ -	
Federal Sources	-	-	148,912	-	-	-	-	68,290	-	
State Sources	-	-	-	-	-	-	-	-	10,308	
Local Sources	-	-	-	-	-	-	-	-	-	
Charges for Services	12,214	110,539	-	-	-	4,080	-	-	517,448	
Interest & Rentals	-	-	-	-	-	-	-	-	-	
Fees and Collections	-	-	47,955	-	-	-	-	-	-	
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	
Other Revenue	-	-	-	-	-	-	-	113,444	50,441	
<b>TOTAL REVENUES</b>	<b>12,214</b>	<b>110,539</b>	<b>196,867</b>			<b>4,080</b>	<b>318,355</b>	<b>181,734</b>	<b>578,197</b>	
<b>EXPENDITURES:</b>										
Judicial	6,657	-	-	-	-	-	-	-	-	
General Government	-	-	-	-	-	-	-	-	-	
Public Safety	-	-	-	524	-	-	226,937	178,928	605,164	
Public Works	-	124,373	-	-	-	-	-	-	-	
Health and Welfare	-	-	181,078	-	-	3,735	-	-	-	
Capital Outlay	-	-	-	-	-	-	644	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	
<b>TOTAL EXPENDITURES</b>	<b>6,657</b>	<b>124,373</b>	<b>181,078</b>	<b>524</b>		<b>3,735</b>	<b>227,581</b>	<b>178,928</b>	<b>605,164</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>5,557</b>	<b>(13,834)</b>	<b>15,789</b>	<b>(524)</b>		<b>345</b>	<b>90,774</b>	<b>2,806</b>	<b>(26,967)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>										
Operating Transfers In	-	13,870	-	-	-	-	-	-	27,327	
Operating Transfers Out	-	-	-	-	-	-	-	-	(43,688)	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>5,557</b>	<b>36</b>	<b>15,789</b>	<b>(524)</b>		<b>345</b>	<b>90,774</b>	<b>2,806</b>	<b>(43,328)</b>	
<b>FUND BALANCES, JANUARY 1</b>	<b>8,070</b>	<b>-</b>	<b>1,557</b>	<b>2,488</b>	<b>25</b>	<b>390</b>	<b>242,273</b>	<b>40,628</b>	<b>116,869</b>	
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 13,627</b>	<b>\$ 36</b>	<b>\$ 17,346</b>	<b>\$ 1,964</b>	<b>\$ 25</b>	<b>\$ 735</b>	<b>\$ 333,047</b>	<b>\$ 43,434</b>	<b>\$ 73,541</b>	

# County of Chippewa, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2004

	Special Revenue Funds									
	ADC Child Support	Community Service	Correctional Facility Maintenance	Hazardous Waste Facility	Superior Twp 2000 Improvements Maint	Chippewa County Recycling	Office of Community Correction	Homestead Property Tax Exemption Audit	Register of Deeds Automation	
<b>REVENUES:</b>										
Taxes	-	\$ -	\$ -	\$ -	\$ -	\$ 373,926	\$ -	\$ -	\$ -	-
Federal Sources	-	-	-	-	-	-	-	-	-	-
State Sources	-	-	-	(1,805)	-	-	42,707	-	-	-
Local Sources	-	1,225	-	-	9,195	-	-	-	-	-
Charges for Services	1,635	-	7,643	-	-	-	59,114	-	46,865	-
Interest & Rentals	-	-	-	-	273	-	-	37	-	-
Fees and Collections	-	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-
Other Revenue	180	-	-	-	-	-	425	-	-	-
<b>TOTAL REVENUES</b>	<b>1,815</b>	<b>1,225</b>	<b>7,643</b>	<b>(1,805)</b>	<b>9,468</b>	<b>373,926</b>	<b>102,246</b>	<b>37</b>	<b>46,865</b>	
<b>EXPENDITURES:</b>										
Judicial	-	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	24,929	-
Public Safety	-	-	-	-	-	-	111,172	-	-	-
Public Works	-	-	164,482	26	-	365,000	-	-	-	-
Health and Welfare	237	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	22,354	-
Debt Service	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>237</b>	<b>-</b>	<b>164,482</b>	<b>26</b>	<b>-</b>	<b>365,000</b>	<b>111,172</b>	<b>-</b>	<b>47,283</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,578</b>	<b>1,225</b>	<b>(156,839)</b>	<b>(1,831)</b>	<b>9,468</b>	<b>8,926</b>	<b>(8,926)</b>	<b>37</b>	<b>(418)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>										
Operating Transfers In	-	-	52,733	1,831	13,940	-	3,500	-	-	-
Operating Transfers Out	-	-	(79,176)	-	(100)	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,578</b>	<b>1,225</b>	<b>(183,282)</b>	<b>-</b>	<b>23,308</b>	<b>8,926</b>	<b>(5,426)</b>	<b>37</b>	<b>(418)</b>	
<b>FUND BALANCES, JANUARY 1</b>	<b>4,815</b>	<b>2,565</b>	<b>186,157</b>	<b>-</b>	<b>27,947</b>	<b>267,720</b>	<b>20,096</b>	<b>-</b>	<b>36,626</b>	
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 6,393</b>	<b>\$ 3,790</b>	<b>\$ 2,875</b>	<b>\$ -</b>	<b>\$ 51,255</b>	<b>\$ 276,646</b>	<b>\$ 14,670</b>	<b>\$ 37</b>	<b>\$ 36,208</b>	

# County of Chippewa, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2004

	Special Revenue Funds									
	Chippewa		Secondary		Law		Local		Road	
	County Liason Officer		Road Patrol	Enforcement Training	Enforcement Training	Sheriff's Officer's Training	Sheriff's Officer's Training	Sheriff's Officer's Training	Patrol Overtime	Sheriff Special Projects
<b>REVENUES:</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	42,676	-	-	-	-	-	-	-	-	-
State Sources	-	-	100,843	2,234	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	13,260	4,500	-	-	6,429
Interest & Rentals	-	-	-	-	-	-	-	-	-	-
Fees and Collections	-	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-
Other Revenue	17,637	-	-	-	-	-	-	-	31,222	-
<b>TOTAL REVENUES</b>	60,313	100,843	2,234	13,260	4,500	31,222	6,429	3,500	7,038	-
<b>EXPENDITURES:</b>										
Judicial	-	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	79,186	121,897	2,450	12,571	1,342	25,147	403	-	-	3,981
Public Works	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	79,186	121,897	2,450	12,571	1,342	25,147	403	3,383	3,981	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(18,873)	(21,054)	(216)	689	3,158	6,075	6,026	117	3,057	-
<b>OTHER FINANCING SOURCES (USES):</b>										
Operating Transfers In	18,873	46,214	-	-	-	-	-	-	-	-
Operating Transfers Out	-	10,191	(1,475)	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	-	35,351	(1,691)	689	3,158	6,075	6,026	117	3,057	-
<b>FUND BALANCES, JANUARY 1</b>	-	-	-	-	-	-	-	-	-	-
<b>FUND BALANCES, DECEMBER 31</b>	-	35,351	6,176	689	12,690	6,075	10,653	3,787	3,057	-



# County of Chippewa, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2004

	Youth Substance Abuse Assistance	Special Revenue Funds									
		Chippewa County FIA Appropriations	FIA Basic Grant	Family Independence Agency	FIA Child Care	Probate Child Care	Veteran's Trust	Friends of the Courthouse	Hakola-Ross Drainage		
<b>REVENUES:</b>											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Federal Sources	3,402	-	-	-	-	-	-	-	-		
State Sources	375	-	1,379	237,921	-	10,170	3,124	-	-		
Local Sources	-	-	-	-	-	7,500	-	-	-		
Charges for Services	-	-	-	-	-	-	-	-	-		
Interest & Rentals	-	-	-	-	-	-	-	-	-		
Fees and Collections	-	-	-	6,468	-	-	-	-	-		
Fines and Forfeitures	-	-	-	-	-	-	-	-	-		
Other Revenue	-	5,202	-	-	-	-	-	-	-		
<b>TOTAL REVENUES</b>	<b>3,777</b>	<b>5,202</b>	<b>1,379</b>	<b>244,389</b>	<b>-</b>	<b>17,670</b>	<b>3,124</b>	<b>-</b>	<b>-</b>		
<b>EXPENDITURES:</b>											
Judicial	-	-	-	-	-	-	-	-	-		
General Government	-	-	-	-	-	-	-	-	-		
Public Safety	7,813	-	-	-	-	-	-	-	-		
Public Works	-	-	-	-	-	-	-	-	-		
Health and Welfare	-	26,842	5,517	239,923	74,589	394,022	1,486	-	-		
Capital Outlay	142	-	-	-	-	-	-	-	-		
Debt Service	-	-	-	-	-	-	-	-	-		
<b>TOTAL EXPENDITURES</b>	<b>7,955</b>	<b>26,842</b>	<b>5,517</b>	<b>239,923</b>	<b>74,589</b>	<b>394,022</b>	<b>1,486</b>	<b>-</b>	<b>-</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,178)</b>	<b>(21,640)</b>	<b>(4,138)</b>	<b>4,466</b>	<b>(74,589)</b>	<b>(376,352)</b>	<b>1,638</b>	<b>-</b>	<b>-</b>		
<b>OTHER FINANCING SOURCES (USES):</b>											
Operating Transfers In	4,178	20,707	-	-	109,899	528,418	-	-	-		
Operating Transfers Out	-	-	-	-	-	(151,819)	(1,140)	-	-		
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>(933)</b>	<b>(4,138)</b>	<b>4,466</b>	<b>35,310</b>	<b>247</b>	<b>498</b>	<b>-</b>	<b>-</b>		
<b>FUND BALANCES, JANUARY 1</b>	<b>-</b>	<b>933</b>	<b>5,565</b>	<b>9,626</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>3,279</b>	<b>7,503</b>		
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,427</b>	<b>\$ 14,092</b>	<b>\$ 35,310</b>	<b>\$ 247</b>	<b>\$ 676</b>	<b>\$ 3,279</b>	<b>\$ 7,503</b>		

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2004

	Debt Service Funds									
	2001 City of SSM Debt Retirement	Superior Twp 2000 Improvement Bond Reserve	Superior Township Improvements Debt	1998 City of SSM Debt Retirement	Jail Expansion Bond Retirement	1995 City of SSM Debt Retirement	Avery Square Bond Retirement	1988 Bids Authority Bond Retirement	Courthouse Annex Renovation	
<b>REVENUES:</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 449,687	\$ -	\$ -	\$ (199)	\$ -	
Federal Sources	-	-	-	-	-	-	-	-	-	
State Sources	-	-	-	-	-	-	-	-	-	
Local Sources	-	3,460	20,124	194,608	-	276,055	135,750	-	-	
Charges for Services	-	-	-	-	-	-	-	-	-	
Interest & Rentals	-	-	-	-	16,958	-	3,274	-	-	
Fees and Collections	-	-	-	-	-	-	-	-	-	
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	
Other Revenue	181,199	-	-	-	-	-	-	-	-	
<b>TOTAL REVENUES</b>	<b>181,199</b>	<b>3,460</b>	<b>20,124</b>	<b>194,608</b>	<b>466,645</b>	<b>276,055</b>	<b>139,024</b>	<b>(199)</b>		
<b>EXPENDITURES:</b>										
Judicial	-	-	-	-	-	-	-	-	-	
General Government	-	-	-	-	-	-	-	-	-	
Public Safety	-	-	-	-	-	-	-	-	-	
Public Works	-	-	-	-	-	-	-	-	-	
Health and Welfare	-	-	-	-	-	-	-	-	-	
Capital Outlay	-	-	-	-	-	-	-	-	-	
Debt Service	181,199	-	20,124	194,608	310,090	276,055	162,802	-	205,170	
<b>TOTAL EXPENDITURES</b>	<b>181,199</b>	<b>-</b>	<b>20,124</b>	<b>194,608</b>	<b>310,090</b>	<b>276,055</b>	<b>162,802</b>	<b>-</b>	<b>205,170</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>3,460</b>	<b>-</b>	<b>-</b>	<b>156,555</b>	<b>-</b>	<b>(23,778)</b>	<b>(199)</b>	<b>(205,170)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>										
Operating Transfers In	-	100	-	-	-	-	-	-	-	205,170
Operating Transfers Out	-	(13,940)	-	-	(50,000)	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>(10,380)</b>	<b>-</b>	<b>-</b>	<b>106,555</b>	<b>-</b>	<b>(23,778)</b>	<b>(199)</b>	<b>-</b>	
<b>FUND BALANCES, JANUARY 1</b>	<b>-</b>	<b>10,380</b>	<b>-</b>	<b>-</b>	<b>645,781</b>	<b>-</b>	<b>243,236</b>	<b>2,034</b>	<b>-</b>	
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 752,336</b>	<b>\$ -</b>	<b>\$ 219,458</b>	<b>\$ 1,835</b>	<b>\$ -</b>	

# County of Chippewa, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2004

	Debt Service Funds	Capital Project Funds			Totals
	1977 Superior Twp Debt Retirement	2000 Superior Twp Improvements	Courthouse Annex Renovation	(Memorandum Only)	
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	1,141,769
Federal Sources	-	-	-	-	263,280
State Sources	-	-	-	-	407,256
Local Sources	8,500	-	-	-	669,884
Charges for Services	-	-	-	-	777,298
Interest & Rentals	-	-	296	-	20,838
Fees and Collections	-	-	-	-	54,423
Fines and Forfeitures	-	-	-	-	3,500
Other Revenue	-	-	-	-	399,750
<b>TOTAL REVENUES</b>	<b>8,500</b>	<b>-</b>	<b>296</b>		<b>3,737,998</b>
<b>EXPENDITURES:</b>					
Judicial	-	-	-	-	10,040
General Government	-	-	-	-	24,929
Public Safety	-	-	-	-	1,377,515
Public Works	-	-	-	-	653,881
Health and Welfare	-	-	-	-	927,429
Capital Outlay	-	-	39,319	-	62,459
Debt Service	8,500	-	-	-	1,358,548
<b>TOTAL EXPENDITURES</b>	<b>8,500</b>	<b>-</b>	<b>39,319</b>		<b>4,414,801</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(39,023)</b>		<b>(676,803)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In	-	-	-	-	1,046,760
Operating Transfers Out	-	-	-	-	(331,147)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>-</b>	<b>(39,023)</b>		<b>38,810</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>-</b>	<b>55</b>	<b>39,504</b>		<b>1,951,996</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 55</b>	<b>\$ 481</b>		<b>\$ 1,990,806</b>

Combining Statement of Net Assets  
Combining Major Tax Collection Enterprise Fund  
December 31, 2004

	State Education Tax Parcel Fee	2003 Tax Revolving	2002 Tax Revolving	2001 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals (Memorandum Only)
<b>ASSETS:</b>								
Cash & Investments - Unrestricted	\$ 9,459	\$ 2,423,230	\$ 772,518	\$ 1,507,177	\$ 2,143,626	\$ 66,018	\$ -	\$ 6,922,028
Tax Receivable	-	927,407	160,591	31,257	(8,351)	-	-	1,110,904
Accrued Interest on Deposits	-	13,661	-	-	-	-	-	13,661
Due from Other Funds	-	-	-	-	-	53,734	-	53,734
Due from Other Governmental Units	-	-	-	-	-	-	9,999	9,999
<b>TOTAL ASSETS</b>	<b>\$ 9,459</b>	<b>\$ 3,364,298</b>	<b>\$ 933,109</b>	<b>\$ 1,538,434</b>	<b>\$ 2,135,275</b>	<b>\$ 119,752</b>	<b>\$ 9,999</b>	<b>\$ 8,110,326</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ 3,082	\$ 10,011	\$ 14,690	\$ 25,952	\$ -	\$ 9,991	\$ 63,726
Accounts Payable	-	-	-	-	-	158	-	158
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,082</b>	<b>10,011</b>	<b>14,690</b>	<b>25,952</b>	<b>158</b>	<b>9,991</b>	<b>63,884</b>
<b>NET ASSETS:</b>								
Unrestricted	9,459	3,361,216	923,098	1,523,744	2,109,323	119,594	8	8,046,442
<b>TOTAL NET ASSETS</b>	<b>9,459</b>	<b>3,361,216</b>	<b>923,098</b>	<b>1,523,744</b>	<b>2,109,323</b>	<b>119,594</b>	<b>8</b>	<b>8,046,442</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,459</b>	<b>\$ 3,364,298</b>	<b>\$ 933,109</b>	<b>\$ 1,538,434</b>	<b>\$ 2,135,275</b>	<b>\$ 119,752</b>	<b>\$ 9,999</b>	<b>\$ 8,110,326</b>

# County of Chippewa, Michigan

## Combining Statement of Revenues, Expenses and Changes in Net Assets - Major Tax Collection Enterprise Fund Year Ended December 31, 2004

	State Education Tax Parcel Fee	2003 Tax Revolving	2002 Tax Revolving	2001 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals (Memorandum Only)
<b>OPERATING REVENUES:</b>								
Charges for Services	\$ 14,408	\$ -	\$ 83,445	\$ 127,058	\$ 22,175	\$ 15,625	\$ -	\$ 14,408
Interest & Rentals	-	135,269						383,572
<b>TOTAL OPERATING REVENUES</b>	<b>14,408</b>	<b>135,269</b>	<b>83,445</b>	<b>127,058</b>	<b>22,175</b>	<b>15,625</b>	<b>-</b>	<b>397,980</b>
<b>OPERATING EXPENSES:</b>								
General and Administrative	4,949	3,082	6,917	5,626	477	4,610	-	25,661
Total Operating Expenses	4,949	3,082	6,917	5,626	477	4,610	-	25,661
<b>OPERATING INCOME (LOSS)</b>	<b>9,459</b>	<b>132,187</b>	<b>76,528</b>	<b>121,432</b>	<b>21,698</b>	<b>11,015</b>	<b>-</b>	<b>372,319</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Interest on Deposits	-	29,029	-	-	-	-	-	29,029
Operating Transfers In	-	3,200,000	-	-	-	-	-	3,200,000
Operating Transfers Out	-	-	(2,000,000)	(1,200,000)	-	-	-	(3,200,000)
Total Non-operating Expenses	-	3,229,029	(2,000,000)	(1,200,000)	-	-	-	29,029
<b>CHANGE IN NET ASSETS</b>	<b>9,459</b>	<b>3,361,216</b>	<b>(1,923,472)</b>	<b>(1,078,568)</b>	<b>21,698</b>	<b>11,015</b>	<b>-</b>	<b>401,348</b>
<b>NET ASSETS, JANUARY 1</b>	<b>-</b>	<b>-</b>	<b>2,846,570</b>	<b>2,602,312</b>	<b>2,087,625</b>	<b>108,579</b>	<b>8</b>	<b>7,645,094</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 9,459</b>	<b>\$ 3,361,216</b>	<b>\$ 923,098</b>	<b>\$ 1,523,744</b>	<b>\$ 2,109,323</b>	<b>\$ 119,594</b>	<b>\$ 8</b>	<b>\$ 8,046,442</b>

Combining Statement of Cash Flows  
Major Tax Collection Enterprise Fund  
Year Ended December 31, 2004

	State Education Tax Parcel Fee	2003 Tax Revolving	2002 Tax Revolving	2001 Tax Revolving	Prior Years' Tax Revolving	Tax Revolving Admin	Homestead Tax	Totals (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from Customers	\$ 14,408	\$ 135,269	\$ 1,597,802	\$ 241,523	\$ 169,706	\$ 15,625	\$ 67	\$ 2,174,400
Payments to Suppliers	(4,949)	(941,068)	(6,917)	(5,626)	(477)	(20,077)	(67)	(979,181)
Net Cash Provided (Used) by Operating Activities	9,459	(805,799)	1,590,885	235,897	169,229	(4,452)	-	1,195,219
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Operating Transfers In	-	3,200,000	-	(1,200,000)	-	-	-	3,200,000
Operating Transfers Out	-	-	(2,000,000)	-	-	-	-	(3,200,000)
Net Cash Provided (Used) by Noncapital Financing Activities	-	3,200,000	(2,000,000)	(1,200,000)	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest Income	-	29,029	-	-	-	-	-	29,029
Net Cash Provided (Used) by Investing Activities	-	29,029	-	-	-	-	-	29,029
Net Increase (Decrease) in Cash and Cash Equivalents	9,459	2,423,230	(409,115)	(964,103)	169,229	(4,452)	-	1,224,248
Balances - Beginning of the Year	-	-	1,181,633	2,471,280	1,974,397	70,470	-	5,697,780
Balances - End of the Year	\$ 9,459	\$ 2,423,230	\$ 772,518	\$ 1,507,177	\$ 2,143,626	\$ 66,018	\$ -	\$ 6,922,028
Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Reconciliation of Operating Income (Loss) to Operating Income (Loss)</b>								
Net Cash Provided (Used) by Operating Activities	\$ 9,459	\$ 132,187	\$ 76,528	\$ 121,432	\$ 21,698	\$ 11,015	\$ -	\$ 372,319
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
Taxes Receivable	-	(927,407)	840,397	104,490	147,531	-	-	165,011
Accrued Interest Receivable	-	(13,661)	120,458	4,349	-	-	-	111,146
Due from Other Funds	-	-	670,584	-	-	(15,625)	-	654,959
Accounts Payable	-	-	-	-	-	158	-	158
Due to Other Funds	-	3,082	(117,082)	5,626	-	-	-	(108,374)
Net Cash Provided (Used) by Operating Activities	\$ 9,459	\$ (805,799)	\$ 1,590,885	\$ 235,897	\$ 169,229	\$ (4,452)	\$ -	\$ 1,195,219

# County of Chippewa, Michigan

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## Statement of Net Assets Internal Service Fund December 31, 2004

	Central Stores
<b>ASSETS:</b>	
Inventories	\$ 38,783
<b>TOTAL ASSETS</b>	<u>\$ 38,783</u>
<b>LIABILITIES:</b>	
Due to Other Funds	\$ 25,262
<b>TOTAL LIABILITIES</b>	<u>25,262</u>
<b>NET ASSETS:</b>	
Unrestricted	<u>13,521</u>
<b>TOTAL NET ASSETS</b>	<u>13,521</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 38,783</u>

**Statement of Revenues, Expenses and  
Changes in Net Assets - Internal Service Fund  
Year Ended December 31, 2004**

	<u>Central Stores</u>
<b>OPERATING REVENUES:</b>	
Charges for Services	<u>\$ 18,971</u>
Total Operating Revenues	<u>18,971</u>
<b>OPERATING EXPENSES:</b>	
Supplies	<u>19,826</u>
Total Operating Expenses	<u>19,826</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(855)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Transfer Out	<u>(811)</u>
Total Non-operating expenses	<u>(811)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,666)</u>
<b>NET ASSETS, JANUARY 1</b>	<u>15,187</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 13,521</u></u>



## **Reports on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
County of Chippewa, Michigan  
Sault Ste. Marie, MI 49783

We have audited the financial statements of the County of Chippewa, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon, dated February 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Chippewa County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over the financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect Chippewa County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as items 04-1, 04-2, and 04-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 04-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chippewa County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 04-4.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 18, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
County of Chippewa, Michigan  
319 Court Street  
Sault Ste. Marie, MI 49783

**Compliance**

We have audited the compliance of the County of Chippewa, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Chippewa County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the twelve months ended December 31, 2004.

### **Internal Control Over Compliance**

The management of Chippewa County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co PLC*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

February 18, 2005

# County of Chippewa, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Pass-through from the Michigan Department of Community Health:</i>			
Women, Infant and Children	10.557	-	142,649
Total U.S. Department of Agriculture			142,649
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
<i>Pass-through from the Michigan State Housing Development Authority:</i>			
CDBG Housing Program	14.228	MSC-03-731-HOA	148,912
Total U.S. Department of Housing and Urban Development			148,912
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
<i>Pass-through from Diane Peppler Resource Center:</i>			
STOP Grant	16.588	-	20,000
<i>Pass-through from Emmet County:</i>			
S.A.N.E.	16.579	70868-8K04	20,362
<i>Pass-through from the Michigan Dept. of Community Health Office of Drug Control Policy:</i>			
Youth Prevention & Intervention Strategies	16.592	80049-5-03-L	42,676
Subtotal			42,676
Total U.S. Department of Justice			83,038
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
<i>Passed-through from the Michigan Department of Transportation:</i>			
<i>Airport Improvement Program:</i>			
Construct perimeter road, apron panels, replace	20.106	3-26-0135-1201	887,250
beacon taxiway rehabilitation and master plan	20.106	3-26-0139-1503	506,855
Snow Removal Equipment			
Subtotal			1,394,105
<i>Passed-through from the Michigan Department of Transportation(MDOT):</i>			
Mackinac Trail	20.205	STP 0317(319)	177,041
6 Mile Road	20.205	STP 0317(318)	26,414
Riverside Drive	20.205	MG 0417(016)	104,059
Mackinac Trail	20.205	MG 0417(015)	304,757
Subtotal MDOT Administered			612,271
<i>Passed-through from the Michigan Department of Transportation (MDOT)-Local Force Account:</i>			
East Shore Rd. from 1 1/2 Mile Rd.	20.205	STL 17070	74,800
Total U.S. Department of Transportation			2,081,176
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>			
<i>Pass Through from State of Michigan Department of Environmental Quality:</i>			
Radon	66.032	-	1,500
Beaches/Surface Water	66.458	-	2,839
Beaches Great Lakes	66.472	-	7,710
Subtotal			12,049
Total U.S. Environmental Protection Agency			12,049

# County of Chippewa, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>			
<i>Pass-through from the State of Michigan Department of State Policy, Emergency Management Division:</i>			
Emergency Management - 10-1-03 to 9-30-04	97.042	-	12,462
Emergency Management - 10-1-04 to 9-30-05	97.042	-	4,154
2002 State Domestic Preparedness Program Exercise Grant	97.004	-	837
2003 Homeland Security Grant Program	97.004	-	960
2004 Homeland Security Grant Program	97.004	-	109,617
Total Federal Emergency Management Agency			128,030
<b>U. S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>			
<i>Pass-through from the State of Michigan Family Independence Agency (FIA):</i>			
Friend of the Court - Incentive	93.560	-	60,756
Friend of the Court - Medical Incentive	93.563	CS/MED-04-17001	4,282
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-04-17001	168,143
Friend of the Court - Cooperative Reimbursement	93.563	CS/FOC-05-17001	65,109
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-04-17002	46,912
Prosecuting Attorney - Cooperative Reimbursement	93.563	CS/PA-05-17002	17,279
Subtotal			362,481
<i>Pass-through from the Department of Community Health:</i>			
Family Planning	93.217	-	37,687
Immunizations	93.268	H23 CCH504477	15,214
Vaccine Provided	93.268	-	148,132
Medicaid	93.778	B1MIMCHS	7,385
Medical Assistance Program - CSBC Care Coordination	93.778	B1MIMCHS	3,775
Bioterrorism	93.283	B1MIMCHS	224,500
Smoking Prevention	93.283	U58 CCU522826	34,000
Small Pox Training	93.283	U90 CCU517018	2,000
Breast and Cervical Cancer - Direct	93.919	U57 CCU506738	35,640
Maternal and Child Health Block Grant	93.994	B1MIMCHS	12,630
Maternal and Child Health Block Grant	93.994	B1MIMCHS	48,669
Family Planning Services	93.994	B1MIMCHS	4,504
Subtotal			574,136
Total U.S. Department of Health & Human Services			936,617
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 3,532,471</b>

# County of Chippewa, Michigan

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

### NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Chippewa, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### NOTE B - SUBRECIPIENT GRANTEE:

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
CDBG-Housing Grant	Community Action Human Resource Authority	14.228	\$ <u>148,912</u>

### NOTE C - MDOT ADMINISTRATION:

The Highway Planning and Construction Grants (Chippewa County Road Commission) and Airport Improvement Grants (Chippewa County Economic Development Corporation) include various projects. Accordingly, the federal expenditures recognized on each negotiated project do not necessarily relate to the County's actual costs for that project. Contracted projects are administered by MDOT which monitors the applicable compliance requirements of those projects.

### NOTE D - RECONCILIATION TO COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE:

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal per Combined Financial Statements	
Revenues – Primary Government	\$ 727,651
Federal Grants of Component Unit	687,071
Federal Grants classified to state and other revenues	<u>2,117,749</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 3,532,471</u>



# County of Chippewa, Michigan

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2004

## Section I - Summary of Auditor's Results

<u>Financial Statements</u>		<u>Federal Awards</u>		<u>Identification of Major Programs</u>		<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Type of auditor's report issued:	Internal control over financial reporting:	Material weaknesses identified?	Yes	Material weaknesses identified?	No	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
	Reportable conditions identified that are not considered to be material weaknesses?	Yes	Reportable conditions identified that are not considered to be material weaknesses?	No			
	Noncompliance material to financial statements noted?	No	Noncompliance material to financial statements noted?	No			
Type of auditor's report issued:	Internal control over financial reporting:	Material weaknesses identified?	Yes	Material weaknesses identified?	No	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
	Reportable conditions identified that are not considered to be material weaknesses?	Yes	Reportable conditions identified that are not considered to be material weaknesses?	No			
	Noncompliance material to financial statements noted?	No	Noncompliance material to financial statements noted?	No			
Unqualified		Unqualified		Unqualified		Unqualified	

### Section II - Financial Statement Findings

---

#### ***Material Weakness – Internal Control***

##### **04-1 General Ledger Reconciliation**

*Statement of Condition/Criteria:* Several accounts listed on the County's General Ledger for some funds were not reconciled to supporting detail resulting in several balances which were misstated or did not exist. Several accounting standards and Treasury bulletins require reconciliation of ledgers to supporting detail.

*Effect:* Trial balance and financial statement amounts were misstated.

*Cause of Condition:* Failure to reconcile supporting ledgers and other documents and post adjusting journal entries to the general ledger due to a lack of time or training.

*Recommendation:* The County should begin reconciling supporting detail such as bank reconciliations, payroll spreadsheets, accounts receivable/payable listings, grant requests and other documents to the general ledger. Adjusting journal entries should be prepared, approved and posted to present accurate account balances for the reporting period.

*Status:* Personnel have been instructed by the auditors regarding proper posting and adjusting procedures.

#### ***Reportable Conditions – Internal Control***

##### **04-2 Jail Inmate Trust Bank Reconciliation**

*Statement of Condition/Criteria:* The Jail Inmate trust bank account was reconciled to the bank statement through September 2004 at year end. The remaining bank reconciliations were provided after year end. Bank reconciliations were not reconciled on a timely basis and were not always reconciled to individual inmate balances.

*Effect:* Lack of reconciliation provides opportunities for inaccurate or unauthorized disbursements from the fund and inaccurate reporting of account activity.

*Cause of Condition:* Sufficient time does not seem to be provided to personnel to complete reconciliations on a timely basis.

*Recommendation:* The Board should provide oversight, training or assistance to personnel to assure bank reconciliations are performed on a timely basis and agreed to individual inmate accounts.

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2004

Section II - Financial Statement Findings

Reportable Conditions – Internal Control (Continued)

04-3 Friend of the Court Trust Account

*Statement of Condition/Criteria:* Friend of the Court Trust Account has been reconciled for fiscal 2004, however, funds in the local account have not been transmitted to the State of Michigan as required by the Michigan Court Administration Reference Guide.

*Effect:* The County has retained \$11,967 in funds due to individuals for child support, alimony and other support payments for the last fiscal year and prior.

*Cause of Condition:* Sufficient time does not seem to be provided to personnel to complete reconciliations on a timely basis. The State of Michigan has provided limited assistance in transferring and remitting of funds.

*Recommendation:* The Board should transmit the funds to the State of Michigan in accordance with Administrative guidelines and policies.

04-4 Expenditures in Excess of Appropriations and Special Revenue Fund not Budgeted

*Statement of Condition/Criteria:* Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended December 31, 2004, the County incurred expenditures in excess of amounts appropriated as follows.

Fund/Function/Activity	Budget	Actual	Variance
General Funds:			
General Government	\$ 2,313,715	\$ 2,355,031	\$ (41,316)
Public Safety	2,176,426	2,331,086	(154,660)
Other	592,576	680,975	(88,399)
Capital Outlay	35,000	87,150	(52,150)
Special Revenue Funds:			
HUD MSC Grant	-	181,078	(181,078)
Office of Emergency Services	95,919	178,928	(83,009)
Correctional Facility Maintenance	108,873	243,658	(134,785)
Hazardous Waste Facility	-	26	(26)
Chippewa County Recycling	335,884	365,000	(29,116)
Law Enforcement Training	500	3,925	(3,425)
Local Corrections Officers Training	11,250	12,571	(1,321)
Road Patrol Overtime Funding Source	500	25,147	(24,647)
Sheriff Special Project	-	403	(403)
Chippewa County FIA Appropriations	21,000	26,842	(5,842)

The Revenue Sharing Reserve Fund did not have an approved budget.

**Section II - Financial Statement Findings**

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***Reportable Conditions – Internal Control (Continued)***

*Effect:* The County has not complied with various State Statutes.

*Cause of Condition:* Sufficient time does not seem to be provided to personnel to complete required budget amendments and appropriate board actions prior to disbursement and payment of claims.

*Recommendation:* The Board should provide sufficient time, training or additional personnel to complete this function.

*Status:* Several budget amendments were approved after year end.

**County of Chippewa, Michigan**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2004**

**Section III - Federal Award Findings and Questioned Costs**

NONE

## **Additional Information**

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**CHIPPEWA COUNTY, MICHIGAN**

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**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

To the Honorable Chairman and  
Members of the Board of Directors  
Chippewa County  
Sault Ste. Marie, Michigan

Our report on our audit of the basic financial statements of County of Chippewa, Michigan, as of and for the year ended December 31, 2004, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

*Anderson Tackman & Co PLC*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

February 18, 2005



## NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURES REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2004, the County has the following debt issues which apply to SEC Rule 15c2-12.

1. \$3,040,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1995.
2. \$2,715,000 County of Chippewa Water Supply and Sewage Disposal System Limited Tax General Obligation Bonds (City of Sault Ste. Marie), Series 1998.
3. \$4,500,000 County of Chippewa Building Authority Bonds, Series 2000.
4. \$1,575,000 Chippewa County Building Authority Bonds, Series 2001.

## NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12.

### A. Population:

1960 U.S. Census .....	32,655	1980 U.S. Census.....	29,029
1970 U.S. Census .....	32,412.....	1990 U.S. Census.....	34,604
		2000 U.S. Census.....	38,543
		2004 estimate.....	39,000

Source: U.S. Department of Commerce - Bureau of Census and County of Chippewa

### B. Taxable Value (Ad Valorem) by Use and Class:

Use	2004		2003	
	Amount	Percent of Total	Amount	Percent of Total
Agricultural	\$ 30,395,048	3.79%	\$ 28,305,735	3.73%
Commercial	144,291,011	17.98%	141,066,865	18.57%
Industrial	21,801,289	2.72%	22,645,471	2.98%
Residential	584,964,929	72.88%	549,833,441	72.40%
Utility	21,197,483	2.63%	17,637,605	2.32%
Timber & Developmental	-	0.0%	-	0.0%
Total	\$ 802,649,760	100.00%	\$ 759,489,117	100.00%

NOTE 2 - TABLES: (Continued)

B. Taxable Value (Ad Valorem) by Use and Class: (Continued)

Class	2004		2003	
	Amount	Percent of Total	Amount	Percent of Total
Real Property	\$ 753,860,124	93%	\$ 714,254,809	94%
Personal Property	48,789,636	7%	45,234,308	6%
Total	\$ 802,649,760	100.00%	\$ 759,489,117	100.00%

Source: County of Chippewa

C. Taxable Value:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending December 31	Ad Valorem Taxable Value	Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2001	653,632,320	1,470,025	655,102,345	4.48%
2000	2001	2002	690,011,404	3,646,925	693,658,329	5.89%
2001	2002	2003	723,710,277	7,101,150	730,811,427	4.33%
2002	2003	2004	759,489,117	6,721,750	766,210,867	4.84%
2003	2004	2005	802,649,760	- Unavailable -	-	-

Per Capita Total taxable value for the fiscal year ending December 31, 2004 \$19,646.43.

(1) Based on the County's 2004 population estimate of 39,000

Source: County of Chippewa

# County of Chippewa, Michigan

Additional Information - Unaudited  
December 31, 2004

## NOTE 2 - TABLES: (Continued)

### D. SEV by Use and Class:

Use	Fiscal Year Ended or Ending December 31				
	2000	2001	2002	2003	2004
Agriculture	\$ 33,283,471	\$ 35,220,397	\$ 39,375,800	\$ 59,296,445	\$ 90,255,236
Commercial	150,276,041	153,927,443	154,494,483	156,657,195	158,447,959
Industrial	22,984,270	29,714,720	22,121,370	23,362,470	22,950,600
Residential	591,024,459	649,055,340	708,746,894	792,633,254	858,373,843
Timber Cutover and Developmental	219,400	185,300	-	-	-
Utility	18,357,300	18,473,495	17,277,200	17,637,605	21,201,883
Total	<u>\$ 816,144,941</u>	<u>\$ 886,576,695</u>	<u>\$ 942,015,747</u>	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>
Class					
Real Property	\$ 766,921,831	\$ 829,747,326	\$ 897,498,756	\$ 1,004,349,670	\$ 1,102,410,302
Personal Property	46,283,060	49,535,519	44,516,991	45,237,299	48,819,219
Total	<u>\$ 813,204,891</u>	<u>\$ 879,282,845</u>	<u>\$ 942,015,747</u>	<u>\$ 1,049,586,969</u>	<u>\$ 1,151,229,521</u>

Source: County of Chippewa

### E. Maximum Tax Rates:

Millage Classification	Millage Authorized	Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated	6.1500	.9914	6.0373
Fire/Ambulance (2)	.4293	.9914	.4213
Roads (2)	1.0000	.9914	.9779
Recycling (2)	.5000	.9914	.4908
Jail Renovation (3)	.7500	.9914	.7235

(1) Cumulative.

(2) Voted.

(3) Voted. Final levy will be December 31, 2018.

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

F. Property Tax Rates:

Fiscal Years	Ended or Ending December 31	Allocated	Fire/ Ambulance	Road Improvements	Recycling	Jail (1)	Total
2000	2001	6.1082	0.4264	0.9932	0.4966	0.6000	8.6244
2001	2002	6.0684	0.4236	0.9867	0.4933	0.6000	8.5720
2002	2003	6.0453	0.4293	0.9962	0.5000	0.6000	8.5708
2003	2004	6.0897	0.4250	0.9864	0.4951	0.6000	8.5962
2004	2005	6.0373	0.4213	0.9779	0.4908	0.6000	8.5273

Source: County of Chippewa

G. Highest and Lowest Tax Rates:

The highest and lowest tax rates for homestead and non-homestead properties within the County for its fiscal year ending December 31, 2003:

Property Classification	Homestead*	Non-Homestead
<u>Municipality</u>	<u>Sault Ste. Marie</u>	<u>Sault Ste. Marie</u>
<u>Highest Tax Rate</u>	<u>37.9914 mills</u>	<u>55.9518 mills</u>
<u>Municipality</u>	<u>White Township</u>	<u>White Township</u>
<u>Lowest Tax Rate</u>	<u>17.6471 mills</u>	<u>35.6471 mills</u>

(\*) Homestead means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 to the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-Homestead is property not included in the above definition.

Source: County of Chippewa

**NOTE 2 - TABLES: (Continued)**

**H. Property Tax Collections:**

December 1 Levy	Fiscal Years Ended or Ending December 31	County Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected to March 1 Following Levy
2000	2001	5,550,253	4,887,578	88.06%
2001	2002	5,817,290	5,184,126	89.12%
2002	2003	5,827,115	5,137,251	88.16%
2003	2004	6,433,285	5,748,854	89.36%

(1) Reflects County levy only. All tax levies reflect adjustments for State Tax Tribunal consent judgments, Board of Review decisions, real estate taxes canceled through foreclosure and State scavenger sales and personal property taxes canceled by circuit court.

Source: County of Chippewa

**I. Ten Largest Taxpayers:**

Taxpayer	Principal Productor Service	December 31, 2004	
		Taxable Value (1)	Percent of of Total (2)
Edison Sault Electric	Utility	\$ 15,501,919	24.55
Sault Ste. Marie Tribe of Chippewa Indians	Tribal - Various	8,973,459	14.21
DDR Michigan II LLC	Shopping Mall	7,744,879	12.27
Cloverland Electric	Utility	7,666,880	12.14
State of Michigan	Government	7,151,676	11.33
12 <sup>th</sup> Avenue Realty Co. LLC	Manufacturing	3,973,200	6.29
Continental Teves	Testing Facility	3,554,500	5.63
Key Plastics LLC	Manufacturing	3,292,600	5.21
Michigan Consolidated Gas. Co.	Utility	3,244,170	5.14
Drummond Dolomite	Quarry	2,038,700	3.23
		<u>\$ 63,141,983</u>	<u>\$ 100.00%</u>

(1) Includes Equivalent Taxable Value of properties granted tax abatement under Act 198.

(2) Based on \$730,811,427 which is the County's Total Taxable Value for the fiscal year ending December 31, 2003. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: County of Chippewa



NOTE 2 - TABLES: (Continued)

J. Legal Debt Margin:

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the County may legally incur as of December 31, 2004.

Debt Limit (1)	\$ 115,122,952
Debt Outstanding (2)	(13,959,000)
Legal Debt Margin	\$ 101,163,952

- (1) 10% of \$1,151,229,521 which is the County's Total SEV for its fiscal year ending December 31, 2004. Includes the SEV of property granted tax abatement under Act 198.
- (2) Includes the Bonds described herein.

Source: County of Chippewa and Municipal Advisory Council of Michigan

K. Debt Schedule:

The following table reflects a summary of the County's direct and underlying debt as of December 31, 2004:

County Direct Debt	Gross	Self-Supporting	Net
Building Authority Bonds:			
Dated March 1, 2000 (LT)	\$ 870,000	\$ -	\$ 870,000
Dated February 1, 1999 (LT)	3,795,000	-	3,795,000
Dated June 1, 1995 (LT)	1,350,000	-	1,350,000
Subtotal	\$ 6,015,000	-	\$ 6,015,000
Water and Sewer Bonds:			
Dated December 11, 2001	\$ 2,475,000	\$ 2,475,000	\$ -
Dated November 4, 1998	2,450,000	2,450,000	-
Dated November 30, 1995	2,355,000	2,355,000	-
Dated 1977	65,000	65,000	-
Dated June 1, 2000	573,000	573,000	-
Dated June 1, 2000	26,000	26,000	-
Subtotal	\$ 7,944,000	\$ 7,944,000	\$ -
Installment Obligations	\$ 1,180,666	\$ -	\$ 1,180,666
Total	\$ 15,139,666	\$ 7,944,000	\$ 7,195,666

Per Capita Net County Direct Debt  
Percent of Net Direct Debt to Total SEV

\$ 388.20  
1.32%

**NOTE 2 - TABLES: (Continued)**

**K. Debt Schedule: (Continued)**

<u>Underlying Debt of County (5)</u>	<u>Total</u>
City	\$ 1,305,000
Townships	882,200
Village	255,000
School Districts	34,190,276
Total Underlying Debt	<u>\$ 36,632,476</u>
Per Capita Underlying Debt (3)	\$ 939
Percent of Underlying Debt to Total SEV (4)	3.18%
Total Direct and Underlying Debt	<u>\$ 51,772,142</u>
Per Capita Net Direct and Underlying Debt (3)	\$ 1,327.49
Percent of Net Direct and Underlying Debt to Total SEV (4)	4.50%

- (1) The Bonds described herein.
- (2) Secured by the City of Sault Ste. Marie's full faith and credit and limited taxing power.
- (3) Based on the County's 2004 population estimate of 39,000.
- (4) Based on \$1,151,229,521 which is the County's Total SEV for its fiscal year ending December 31, 2004. Includes the SEV of property granted tax abatement under Act 198.
- (5) Underlying Debt is the debt of the municipal entities located in the County.

Source: County of Chippewa and the Municipal Advisory Council of Michigan.

**L. Debt History:**

There is no record of default on obligations of the County.

**M. Installment Purchase and Lease Obligations:**

See Notes to Financial Statements.

NOTE 2 - TABLES: (Continued)

N. Short Term Borrowings:

The County in the years 1983 through 2000, inclusive, issued Delinquent Tax Notes to fund, in part, its Delinquent Tax Payment Fund. The primary security for the Delinquent Tax Notes was the payment of the Delinquent Real Property Taxes. In addition, the County pledged its full faith and credit and limited taxing power to the payment of principal of and interest on the Delinquent Tax Notes. The County may or may not issue notes to fund the Delinquent Tax Payment Fund in future years. The amounts issued in 1994 through 2000, inclusive, are as follows:

Year Issued	Notes Issued	Amount Outstanding
1995	\$ 500,000	\$ 500,000
1996	500,000	500,000
1997	500,000	500,000
1998	700,000	700,000
1999	1,250,000	1,250,000
2000	800,000	800,000

The County does not issue short-term obligations for cash flow purposes.

Source: County of Chippewa

O. Future Financing:

Not Anticipated.

P. Vacation and Sick Leave:

Employees earn varying amounts of annual vacation and sick leave based on number of years of service up to a maximum and on the various labor union contract terms and administration policies of the different County operating units. Vacation is accumulated and taken annually. Sick leave can accumulate up to 168 hours. In addition, each year sheriff employees are given 96 days of sick time for jail employees and 64 days sick time for road patrol employees with 100 percent vesting after three years of service for the Sheriff's department only. At December 31, 2004, the accumulated unpaid compensated absences amount to \$541,039.

**NOTE 2 - TABLES: (Continued)**

**Q. Pension Plan:**

All full-time employees of the County are participants in a defined benefit plan administered by the Michigan Municipal Employees Retirement System. The County's contribution to the plan, expressed as a percentage of active member payroll, covers current service costs, unrealized investment income on unfunded accrued liabilities (prior service costs) and the amortization of unfunded accrued liabilities over a 30 year period. Employees of the County contribute 2% of their gross wages. Actuarial assumption are subject to periodic change.

<u>December 31 Valuation Date</u>	<u>Net Assets Available for Benefits</u>	<u>Actuarial Accrued Liability</u>	<u>Assets as a Percent of Actuarial Accrued Liability</u>
1994	\$6,825,961	\$8,625,408	79%
1995	8,070,864	9,985,628	81
1996	9,648,031	11,191,688	86
1997	10,177,361	12,187,923	84
1998	11,739,213	12,245,489	96
1999	13,685,739	13,633,684	100
2000	15,206,302	16,022,011	95
2001	16,467,208	18,117,222	91
2002	17,113,545	19,641,138	87
2003	18,576,288	21,329,406	87

Source: County of Chippewa

**R. Labor Contracts:**

The County courthouse has 160 full and part-time employees. Approximately 39% of the County's permanent employees are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Membership</u>	<u>Current Expiration Date</u>
American Federation of State, County and Municipal Employees	31	Unknown
Police Officers Labor Council	32	December 31, 2004
Non-Union Employees	<u>97</u>	Not applicable
Total Permanent County Employees	<u>160</u>	

Source: County of Chippewa

NOTE 2 - TABLES: (Continued)

S. Profile of Major Employers:

The following table reflects the diversity of the major employers in the County by the products manufactured or services performed and the approximate number of employees.

Company	Principal Product or Service	Approximate Number of Employees
SSM Tribe of Chippewa	Indians Various Tribal Enterprises/ Casino	2,117
Kinross Area Prisons	State Prisons	1,077
Bay Mills Indian Community	Indians Various Tribal Enterprises/ Casino	760
War Memorial Hospital	Hospital	675
Sault Area Public Schools	Education	400
Lake Superior State University	Education	376
State of Michigan	State Government	361
Soo Plastics	Rubber Products	280
Wal-Mart	Department Store	260
Chippewa County (All Units)	Local Government	212

Source: County of Chippewa

T. Employment:

Reflected below are the unemployment statistics for the County for the calendar years 1999 through 2004:

County of Chippewa	1999	2000	2001	2002	2003	2004
Employed	16,760	16,825	16,675	16,175	16,175	16,425
Unemployed	1,276	1,375	1,425	1,325	1,475	1,375
Labor Force	18,036	18,200	18,100	17,500	17,650	17,800
Unemployed as % Of Labor Force (1)	7.1%	7.6%	7.9%	7.6%	8.4%	7.7%

(1) Totals and percentages may differ due to rounding by the Michigan Employment Security Agency.

Source: Michigan Unemployment Agency